



Health Care Collector

The professional's guide to success in health care collection

JoAnn Petaschnick, Editor

An ASPEN Publication®

A Pay Increase or Financial Incentives — What Makes Sense?

...What Inspires More?

"An employer can change the incentive to identify goals and steer the collection activities."

—Nancy Herschleb

Collection work can be difficult and sometimes stressful for even the best employees. And it can be hard to keep people motivated for a prolonged period of time. But what inspires employees more, pay increases or financial incentives? As you might guess, we heard arguments in favor of both sides of the issue.

Incentives a Constant Reminder

Nancy Herschleb is patient financial services director for Door County Memorial Hospital in Sturgeon Bay, Wis. "A one-time pay raise only motivates for about two weeks and then people want another one. I believe incentives actually motivate longer and work better for both the employee and the employer," she says. "An employer can change the incentive to identify goals and steer the collection activities, and an incentive is renewed each month. The incentive gives the employee a constant reminder of

the increase they are receiving because it varies," she adds.

A bonus program also works better because it can be rescinded if necessary, Herschleb says. "Incentives aren't locked in place. If you have an employee who is having a bad month, the incentive reflects their productivity for the month and gives them the motivation to try harder next time," she says.

"The other attractive factor involved with a bonus is that it is temporary — not part of the employees' pay package. Therefore, if budget cuts happen you are able to reduce the incentive or change the goals, rather than employees having to face salary cuts," Herschleb says.

Bigger Salary Better

"I am having problems with salaries just now. We have reached a point of compression. We have new employees who are making salaries dangerously close to what we pay our supervisors," says Frank Gill, patient finance director for Carlisle Hospital in Carlisle, Penn. "I do believe there is a place for both philosophies. If an employee has a stable base salary that is competitive with clerical and supervisory salaries in the community and makes the hospital an attractive place to work, that is the best way to go," he says.

Vesta Ravn, consultant with First Consulting Group in Denver, Colo., and former patient finance director concurs with Gill. "Assuming wages are at a level that is reasonable and acceptable, monetary rewards be-

See Overpayments, page 3...

INSIDE THIS ISSUE

Editor's Perspective: New Year, New Opportunities: Take Time to Consider the Possibilities	• 2
When Insurance Companies Request a Refund	• 4
Prompt Payment Laws Revisited	• 6
Health Care Access for Persons with Hearing Loss	• 9
Legal Facts You Need to Know ...Pre-Collection Services Violate FDCPA, Courts Say	• 10
Some Hospitals See Drop in Account Recovery Activity	• 11



EDITORIAL ADVISORY BOARD

George Cobb
Collections Manager
Arkansas Children's Hospital
Little Rock, Arkansas

Joanne Giannelli
Patient Account Manager
Cardiology Associates of
Waterbury
Waterbury, Connecticut

Frank Gill, CPAM
Director of Patient Finance
Carlisle Hospital
Carlisle, Pennsylvania

Sharon Hargis
Past President
American Billing Services
Marietta, Georgia

Janet McDiarmid
Practice Administrator
Sylacauga Medical and
Surgical Clinic
Sylacauga, Alabama

Kempton S. Smith, CPAM
Healthcare Technology and
Services
Division of Information
Advantage
Lexington, South Carolina

Ted M. Smith
Director, Healthcare Service
Program American Collectors
Association
Minneapolis, Minnesota

Bill Spare, CMAA, CPAM
Director Clinical Operations
Baylor Pediatric Consultants
Baylor College of Medicine
Houston, Texas

Lori Zindl
President
Outsource, Inc.
Pewaukee, Wisconsin

EDITOR'S PERSPECTIVE

New Year, New Opportunities

Take Time to Consider the Possibilities

Happy new year to all of you! I hope this doesn't sound cliché but the beginning of a new year is a great time to begin thinking about how to do things differently. That is, if you are facing challenges — and who is not? It is also a perfect time to take a look at your policies and procedures and see whether they are working adequately for you.

Collection work can be difficult and sometimes stressful for even the best employees. And it can be hard to keep people motivated for a prolonged period of time. But what inspires employees more, pay increases or financial incentives? As you might guess,



we heard arguments in favor of both sides of the issue. In this month's *HCC*, we present some opinions for your consideration. But let us know what you think, too.

Since we ran an article in November concerning prompt payment legislation and how patient finance professionals are using it, we have received calls from a number of subscribers asking for more information specific to their own state. We do not have all of the laws at our fingertips, unfortunately, but we have access to information that may prove useful to you.

And, following up on another matter ... in recent issues, we discussed returning overpayments to payers when they pay more than they were billed. This can happen in a secondary payer situation when the payer kicks in more than its share. The flip side of this problem occurs when an insurer has already paid you. Months go by and suddenly you hear from the payer. They are now demanding a refund of the payment they sent to you nearly a year ago! They may claim they did

not authorize a procedure — or they might say they did not pre-certify a hospital stay.

Jeffrey W. Shutak, CHFP, has a letter that has worked effectively for him in these situations. See what you think.

Pre-Collection Services

In the past, courts have ruled against the use of "pre-collection" services and *HCC* has written about this topic. Pre-collection services are those services that act not as a full-fledged collection agency, but usually send out letters to debtors indicating that the next step would be a collection agency. Federal district courts in Illinois in the past year have gone a step further, and held collection agencies (and in many cases, creditors also) liable to a consumer for violating the Fair Debt Collection Practices Act in flat-rate or pre-collection services. Attorneys from Burr & Reid are providing us with an update on this topic, which should be of interest to you.

Finally, you might not think about it often but the deaf and hard of hearing (D/HOH) patient faces barriers to health care. Research shows that people who are deaf or hard of hearing use health care services differently than the general population, but little research exists examining why. Prior studies show that when deaf patients and hearing health care professionals interact, both report frustration with communication. There is no research regarding interactions between deaf patients and business office staff. But it simply makes sense to be patient and caring when working with all patients. In this issue, we report on ways in which you can achieve greater results when working with these special patients.

Please continue to send your anecdotes, comments, suggestions, and questions. Call 414/462-0278 or fax to 414/462-7547.

JoAnn Petaschnick

Editor

Visit Aspen's

Web site:

[http://www.](http://www.aspenpublishers.com)

[aspenpublishers.com](http://www.aspenpublishers.com)

Overpayments, from page 1...

come what is known as a hygienic factor," she says. "Let's face it, cash incentives are never enough to change anyone's lifestyle or work ethic. Validation as well as acknowledgement of effort and success are much more effective," she says.

Gill says he has never used incentives or bonus programs so he can't offer a real life scenario. "This type of incentive is sometimes restrictive because while you can monitor the daily performance of a biller or collector by the amount of bills sent or dollars collected, do you reward only this group of employees and not the adjustment or cashier clerical staff? This has kept me away from this sort of reward system," he says.

"It may be better to reward the outcome in A/R Days or a cash-collected method of calculation spread throughout the entire staff. [But] this also means that the under-achiever is rewarded along with the others who have worked harder, and that leaves the effort with a bad taste," Gill notes.

Unlike Herschleb, Gill believes incentives and bonuses are a short-term solution. "In the long run, it is the ability to provide annual compensation increases that employees most appreciate. Combined with annual reviews and additional compensation for outstanding performers, I think pay increases produce long-term excellent results," he says.

Creating Tension

"Having worked for both hospitals and for a collection agency, I have a good understanding of the issue," according to **Jeffrey Steenson**, former patient accounting manager and consultant with Infinity Outsourcing Services in Bellmawr, N.J. "Generally, it's difficult for many hospitals to pay either higher salaries or incentives for a number of reasons. Generally, hospitals don't like unhappy employees. So if one group in the same office were making more than another, it would create tension that could cause others not to work at their highest level," he says.

"At the last hospital I worked at, our Medicare billers were paid about one dol-

lar more per hour than the other billers. The situation dated back to the days when the hospital had no electronic billing, and much of the work was manual. With managed care issues, it's difficult to say which job is more important or more difficult in a business office. I froze the Medicare billers at the rate they were at until the rest of the office caught up with them, so I had two unhappy people, but dozens of happy ones," Steenson says.

Steenson now works for an outsourcing company and collection agency. "Everyone in the firm draws a fair base along with a commission. The pay and commission scales are the same for all collectors, so the more money they collect, they more they make. Maybe some collectors have easier accounts to collect, but it works out over time," he says. "Let's face it. No one in America thinks he is paid enough, so the best for all concerned in each circle, wherever the circle is, is to just make it work."

Ravn believes acknowledgement goes a long way. "My personal preference is to use a combination of a personal cash award and a formalized achievement acknowledgement program. It is important to ensure that top-level management evidences their awareness of individual achievement." She says. "A ceremonious presentation of a physical reminder such as plaque mounted in the achiever's work area, plus a gift certificate for an upscale dinner for two at the local posh spot, with the ceremony attended by the CFO, CEO, and/or PFS Director, makes a very big impact on the recipient and attendees as long as it occurs only when a significant goal is met," she adds.

Off-Site Collectors

If you have the flexibility to try it, you might consider the following concept proposed by **Rob Borchert**, president of Best Practice Associates LLC in Skaneateles, N.Y. Idea: "There have been facilities that have tried with some success to have contracted employees paid on incentive to do collections from their homes. This allows for some flexibility within the function. The question to be asked is always the monitoring process of their productivity and accountability," Borchert says.

See Overpayments, page 7...

Health Care Collector

Editorial Inquiries:

JoAnn Petaschnick

Phone: 414/462-0278

Fax: 414/462-7547

E-mail: jmpeta@aol.com

To subscribe, call:

800/638-8437

For customer service,

call: 800/234-1660

Publisher

Jane Garwood

Executive Director

Jo Gullledge

Managing Editor

Steve Larose

Editorial Production

Manager

Eric Myers

Marketing Manager

Jennifer Fisher

Promotion Manager

Barbara Adams

Health Care Collector (ISSN:1060-0442, USPS: 017746) is published monthly for \$249 per year by Aspen Publishers, Inc., at 7201 McKinney Circle, Frederick, MD 21704. Telephone 301/417-7500. Periodicals Postage paid at Frederick, Md.

POSTMASTER: Send address changes to: *Health Care Collector*, 7201 McKinney Circle, Frederick, MD 21704.

Subscription price: \$249 per year plus \$8.75 postage and handling. Single issue price: \$25

Business and circulation:

Fulfillment Operations, Aspen Publishers, Inc., 7201 McKinney Circle, Frederick, MD 21704.

Requests to reprint:

Permissions Department, Aspen Publishers, Inc., 200 Orchard Ridge Drive, Gaithersburg, MD 20878 Fax: 301/417-7550.

Copyright 2001 © by Aspen Publishers, Inc. All rights reserved. Facsimile reproduction, including photocopy or xerographic reproduction, is strictly prohibited under copyright laws.



When Insurance Companies Request a Refund

Sample Letter Earns Thousands

Many of you are regularly faced with this problem, but are unsure whether you can keep payments that may be sent to you for a variety of reasons.

In the December *Health Care Collector*, we addressed the topic of how to handle overpayments from third-party payers ("Refunding Overpayments: What to Do"). Many of you are regularly faced with this problem, but are unsure whether you can keep payments that may be sent to you for a variety of reasons. In some instances, a payer may send more than you have billed, but not more than the total charges. In another situation, a secondary payer may overpay its share of a claim. There are other scenarios to consider, too.

But how do you respond to these apparent overpayments? Do you send back the extra money? Do you give it to the patient? Do you keep it? We spoke to several subscribers on the topic and they gave their opinions and insights. The consensus was that you should try to determine the rightful owner of the credit amount. Some finance professionals believe that the money should be returned to the payer complete with EOB copies. There are always instances when payers refuse to accept the payment, however. Now what do you do?

In the interest of maintaining good will with payers, some would recommend returning overpayments. Jeffrey Steenson, former patient accounting manager and consultant with Infinity Outsourcing Services in Bellmawr, N.J. has this to say: "In the event total payments exceed total billed charges, the money is not yours to keep. I

have, however, had many situations where I tried to send a refund to a secondary payer and they returned the check as 'unable to apply,' which really makes it interesting," he says.

"The problem with credit balances is that since everyone is so busy trying to collect money, they don't deal with them, which creates problems down the road. Unless a hospital has a consistent policy to deal with the issue, it can easily accumulate credits, which distorts Days Outstanding. While credit balances are often a low priority item, they are one of the things that can slowly suck the life out of an office," Steenson says.

Refund Requests

The flip side of this problem occurs when an insurer has already paid you. Months go by and suddenly you hear from the payer. They are now demanding a refund of the

payment they sent to you nearly a year ago! They may claim they did not authorize a procedure — or they might say they did not pre-certify a hospital stay.

"There is an appropriate legal term that I have used very

"While credit balances are often a low priority item, they are one of the things that can slowly suck the life out of an office."

—Jeffrey Steenson

successfully when insurance carriers request money back after an inordinate amount of time. The term is 'laches,' says Jeffrey W. Shutak, CHFP, patient accounts director for The Memorial Hospital in North Conway, N.H. "In legal terms, it translates to 'an unreasonable delay before acting.'"

Shutak has a letter that he has been using for some time when this type of problem arises, and he is sharing the letter with us in this issue. "This letter has saved me approximately \$50,000 in the past several months. This includes one case in particular that was erroneously paid in the amount of \$34,000, when a visit was pre-certified. They discovered their error 18 months after it was paid and came to us for a refund. After I sent the letter, I never heard from them again," he says. ■

Call for Sample Collection Letters

If there's one thing that subscribers to the *Health Care Collector* like to do, it's **share ideas**.

That's why we are asking you to fax us your favorite collection letters — the ones that work best for you.

If you have a favorite letter, please fax it to us at **414/462-7547**. We will publish the letters in upcoming issues.

Response to Request for Refund After Unreasonable Length of Time

My Hospital
123 Oak Street
Your Town, USA

January 1, 2001

Insurance Company XYZ
321 Maple Street
Anytown, USA

RE: John Q. Public, patient
Claim No. 1234567
Date of service: January 15-20, 2000

Dear Name,

We are in receipt of a refund request in the amount of \$XXXXX.XX. According to our records, the books are now closed on this claim and because of laches you are not entitled to any payment. Our records indicate that we received payment from you on March 2, 2000 and you are just now, eleven months later, requesting a refund.

According to general legal rules, as an innocent provider we cannot be held liable for mistakes of the payer. Based on the information we received from the patient at the time of service, we believed that we were entitled to third-party payment from you.

In addition, where applicable, prior approvals for treatment and payment were obtained from your company in advance of treatment.

We received the payment and explanation of benefits in good faith and based on information provided by you, we did not bill the patient for the portion that you paid to us. We provided services in good faith, and the funds received have been exhausted.

Very truly yours,

Patient Finance Director

Note: Check with your legal counsel
before using this or any type of letter.

Source: The Memorial Hospital, North Conway, N.H.
Reprinted with permission.

Prompt Payment Laws Revisited

You Asked for It

While some patient accounts managers are not aware of the laws, many of you have chosen to use the laws to your advantage when collecting from third-party payers.

In the November issue of the *Health Care Collector*, our front-page article concerned the prompt payment legislation that has been enacted by many states to combat the ongoing problems regarding late claims payments. While some patient accounts managers are not aware of the laws, many of you have chosen to use the laws to your advantage when collecting from third-party payers.

Example: Scott G. Silvestri, director of patient accounts for Aultman Hospital in Canton, Ohio, has trained his collection staff to refer to the Ohio prompt payment law as part of their follow-up call effort with third-

party payers. When commercial collectors call payers, they ask if a claim has been received. If the answer is yes, they ask if there is anything else that is needed to make the claim complete. If the answer is no, then the collector reminds the payer that the Ohio Code states a complete claim must be paid within 24 days (except self-funded plans).

Some providers have composed collection letters including language from their state's prompt payment statute. *HCC* editors were told that sometimes payers are unaware of the laws — or at least say that they are. A reference to the law is all they need to get payment. There's no guarantee, of course, but it's worth a try. Keep in mind that the laws apply primarily to third-party payers and usually exclude HMOs with whom you have contracts.

Laws Vary

Nevertheless, difficulties may arise with these laws because they differ state-to-state. State insurance departments vary in size, enforcement latitude, and funding. "Therefore, the enforcement effort is neither consistent nor uniform. Providers are often unfamiliar with their rights under these laws and are inconsistent in their tracking and follow-up on slow payment," according to Richard Kadas, manager of product development for Accelerated Receivables Management in Chicago. Another problem: There are no provider organizations that have developed databases that report on and track high-risk payers with records for slow payment.

Chart Gives Specifics

Since the article ran in November, we have received calls from a number of subscribers asking for more information specific to their own state. We contacted Karen Zupko & Associates, Chicago-based consultants to health care providers regarding reimbursement problems. Zupko

"Prompt Pay" Statutes and Regulations

State	Status of Law	State Contact Person
Alabama	Clean claims must be paid within 45 working days, applies to HMOs only.	Ray Shearer (334) 206-5366 Alabama Dept. of Public Hlth
Alaska	Claims must be paid within 30 days	Katie Campbell (907) 465-2515 Alaska Div. of Insurance
Arizona	Clean claims must be paid within 30 days or interest payments required (usually about 10%)	Patty Moore (602) 912-8444 Arizona Dept. of Insurance
Arkansas	Law states claims must be paid immediately upon receipt of complete, written "proof of loss". State supports 30-day payment period for contract terms.	John Shields (501) 371-2766 Arkansas Dept. of Insurance
California	Claims must be paid within 45 working days for a HMO, 30 days for a health service plan. Interest accrues at 10% per annum.	Rita Ullrera (800) 400-0815 California Dept. of Corp.
Colorado	As of 1/1/00 claims must be paid in 30 days if submitted electronically, 45 if not. Penalty is 10% annually.	Michael Gillis (303) 894-7499 Colorado Div. of Insurance
Connecticut	Claims must be paid within 45 working days. Interest accrues at 15% per annum	Cliff Slicer (860) 297-3889 Connecticut Dept. of Ins
Dist. of Columbia	None. Department of Insurance will investigate abusive patterns on consumers' behalf.	Carolyn King (202) 727-8000 Dist. Of Columbia Dept. of Ins
Delaware	Clean claims must be paid in 45 days.	Libby Miller (302) 739-4251 Delaware Dept. of Insurance
Florida	Clean claims must be paid in 35 days. Claims where information was requested must be paid in 120. Interest penalty is 10% per year.	Consumer Affairs (850) 922-3100 Florida Dept. of Insurance
Georgia	Claims must be paid within 15 days. Interest accrues at 18% per annum.	Yvonne Martin (404) 656-2066 Georgia Office of Ins. Comm.
Hawaii	Clean, written claims must be paid in 30 days, electronic claims within 5 days. Interest accrues at 15%. Commissioner may impose fines.	Becky Kendro (808) 536-7702 Hawaii Medical Association
Idaho	None. Department of Insurance will investigate abusive patterns.	Joan Skrosch (208) 334-4300 Idaho Dept. of Insurance

has put together a useful chart (see pp. 6-9) that includes the states with prompt payment laws as well as contact persons so you can call or investigate for further information.

"Some states technically have a prompt pay law, but it may be a general law that simply states 'clean claims must be paid in 45 days,'" according to Jennifer Bever of Zupko. "These are often older laws and apply to all insurance types and therefore include, but are not exclusive to, health insurance." Contacts are listed from each state's Department of Insurance, but keep in mind that there are continual updates to these laws, Bever notes. "Another good source for information is your state medical society or the American Medical Association," she adds. ■

Karen Zupko & Associates, Inc. is a consulting firm that works with health care providers to solve reimbursement dilemmas. Contact them at 625 North Michigan Avenue, Suite 702, Chicago, Ill. 60611. Call 312/642-5616; fax 312/642-5571.

"Prompt Pay" Statutes and Regulations

State	Status of Law	State Contact Person
Illinois	Clean claims must be paid in 30 days. Interest accrues at 9% per annum. All contracts must state 60 days by 1/1/00, 30 days by 1/1/01.	John Morrison (217) 524-4051 Illinois Dept. of Insurance
Indiana	Claims must be paid in 45 days.	Cynthia Tompkins (317) 232-2385 Indiana Dept. of Insurance
Iowa	No law, although department publishes an "opinion" that claims should be paid in a reasonable time frame - 30 days. Department of Insurance will investigate abusive patterns.	Kim Sacher (515) 281-5523 Iowa Div. of Insurance
Kansas	None specific to healthcare. Department of Insurance will investigate solvency of abusive entities.	Jay Rogers (785) 296-3071 Kansas Dept. of Insurance
Kentucky	Claims must be paid within 30 working days. Interest accrues at 12% per annum.	Richard Delors (502) 564-6027 Kentucky Dept. of Insurance
Louisiana	Claims submitted electronically must be paid within 25 days. Paper claims submitted in 45 days must be paid in 45 days; submitted after 45 days must be paid in 60 days. Penalty is 1% of unpaid balance.	Pam Williams (225) 219-4774 Louisiana Dept. of Insurance
Maine	Clean claims must be paid within 30 days. Interest accrues at 1.5% per month.	Rick Diamond (207) 624-8475 Maine Bureau of Insurance
Maryland	Clean claims must be paid within 30 days. Interest accrues at monthly rates of 1.5% (31-60 days late), 2% (61-120), and 2.5% (121+) respectively.	Joyce Yansen (410) 539-0872 The Maryland State Medical & Society
Massachusetts	None. Division of Insurance will investigate abusive patterns.	Walter Marcinkus (617) 521-7777 Massachusetts Div. of Ins.
Michigan	This law applies only to non-contracted providers: Claims must be paid in 60 days annum. with an interest penalty of 12% per annum.	Joan Miles (517) 335-2053 Michigan Dept. of Insurance
Minnesota	Claims must be paid within 30 days to non-contracted HMO providers. If contracted with HMO, contract terms are in effect.	Irene Goldman (612) 676-5000 Minnesota Dept. of Health

Overpayments, from page 3...

If there is a team of on-site collectors, then incentive pay based on assigned accounts can be beneficial, Borchert says. "Just remember, if there are also other teams such as a Medicare team or a commercial team, some incentive pay should be also considered. Unless full discussion of the benefits as well as the repercussions can be identified, it is a touchy area for on-site collection teams," he adds.

Rather than personal incentives, there is always the consideration of "team in-

centives." These incentives may be things other than money. History shows that on-site collectors with personal incentive bonuses can have both positive and negative effects. Plus it can further cause some rivalry among the ranks. "Team incentives places social pressure on the group and they either all get credit or they all fail," Borchert explains. ■

What do you think? Send your comments or opinions concerning this article — or any article in this issue — to the editor at jmpeta@aol.com. We look forward to receiving them.